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TSPIRS

Timber Sale Program Information Reporting System

Questions & Answers

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Department of
Agriculture

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TSPIRS

Questions and Answers:

1. *"Some economists outside the Forest Service say that the Timber Sale Program Information Reporting System, TSPIRS, is biased to display a more economic timber management program than actually would be portrayed using standard accounting practices. Is this correct?"*

Answer: No. The Forest Service was assisted by the General Accounting Office (GAO), which is the accounting and auditing arm of Congress, in development of the methodology used to prepare The Statement of Revenues and Expenses (Report 1) portion of the TSPIRS report. Congress directed GAO to participate in this project because they wanted to insure that the report conformed with Generally Accepted Accounting Principles (GAAP). In spite of this, some interests continue to question the validity of this report. The Forest Service Washington Office, in concurrence with GAO, engaged an independent CPA firm to evaluate the methodology used to produce TSPIRS Report 1. GAO has agreed to work closely with the CPA firm to provide findings and gather information needed to evaluate the report. The results of this evaluation should provide support to the validity of the data reported by TSPIRS.

2. *"How does the system deal with capital investment costs such as roads and bridges since some economists have indicated that is the key area where the Forest Service fudges it's numbers?"*

Answer: Under generally accepted accounting principles, assets such as roads and bridges are recognized as having a useful life of many years. The costs associated with this construction activity are investments that benefit future as well as current harvest activity. TSPIRS amortizes these costs using the ratio of the current year's volume harvested to total volume to be harvested over the rotation. This amortization period is generally 80-110 years. Most of the timber volume being harvested in Alaska would be inaccessible unless roads and other facilities were built. As timber is harvested, assets gradually deteriorate in spite of regular maintenance. However, when road reconstruction is necessary, it is generally much less costly than building a brand new road in the same area. By showing both construction and reconstruction costs in the growth activity pool, this residual value is recognized.

3. *"Why does the Forest Service continue to harvest timber on the Tongass if it is costing more to manage the program than is returned to the Treasury?"*

Answer: The Forest Service, and more specifically the Tongass National Forest operates under a series of statutes requiring certain land management practices that may not result in net returns to the treasury. These include the Multiple Use Sustained Yield Act, the National Environmental Policy Act, the National Forest Management Act, and the Alaska National Interest Lands Conservation Act, sometimes called, ANILCA.

The Forest Service has developed and is implementing programs to promote and provide a sustained yield of products and services from each individual National Forest. On the Tongass, these programs are being implemented to the extent practicable to increase total net public benefits for the long-run for all resource areas on the Forest. The timber sale program is managed on the Tongass in accordance with the objectives of multiple use, and the specific objectives, direction, standards and guidelines in the Tongass Land Management Plan.

Through the timber program, activities are designed and implemented in a cost efficient manner consistent with the legislative mandates to increase total net public benefits over the long run. To look only at the statement of revenues and expenses for the Tongass and determine that the Tongass has a below cost sale program is to look only at part of the picture. For example, compliance with the regulation requiring primary processing of public timber harvested in Alaska increases employment in Alaska, but, at the same time depresses direct revenues to the treasury. To totally evaluate the efficiency of the Tongass timber program requires that the revenues and expenses be weighed against the employment, income, and the benefits resulting to other resource programs as presented in Reports 2 and 3.

The three accounts of TSPIRS present a comprehensive picture of the financial, economic, and socio-economic aspects of managing the Tongass timber program. This system provides a single year "snap-shot" within the integrated long-term resource management program proposed in the Forest Plan. It will be necessary to track these results for several years to fully evaluate consistency with the overall objectives for the Tongass. In the meantime, the annual TSPIRS data will be used to improve the financial efficiency of the Tongass timber sale program.



4. *"What is the Forest Service doing to improve the efficiency of its timber program and is the TSPIRS information being used toward that end?"*

Answer: Over the last several years, the Tongass National Forest has reduced timber program costs, which are reflected in the TSPIRS analyses for fiscal years 1986, 1987 and 1988. Since the agency is constrained by legislative and legal constraints in terms of influencing revenues, efficiencies from cost reduction are the only alternative.

The cost reductions in the timber program have taken several forms. Road costs have been reduced by changing design standards and re-scheduling construction over a longer period of time. The precommercial thinning program has been re-evaluated, and fewer acres are being treated. Management overhead costs of the Tongass National Forest have been reduced by eliminating regional office and area office positions through attrition or consolidation of duties.

With completion of the test phase of the program, the ongoing TSPIRS reports will provide a basis for further management action to improve the efficiencies of the timber program in response to market conditions.



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5. *"I read somewhere that the Federal government loses 99 cents for every dollar spent on timber management on the Tongass. Is this true?"*

Answer: No. In Fiscal Year 1988, the United States Government received 87 cents in cash and assets for every dollar spent as part of the Tongass timber program. The timber management program on the Tongass National Forest, as reported in the FY88 TSPIRS report, would have made returns equal to or greater than costs if shortfalls in the harvest levels occasioned by appeals and increased planning costs had not occurred.

6. *"How is the Value of Wages to Local Communities and the Cumulative Value to Local Communities important to the Tongass National Forest?"*

Answer: The economic health of a regional economy is dependent on the amount of dollars spent locally, and the number of times these dollars are respent. In the case of wages, these are reported in TSPIRS (Report 3) as the "Value of Wages to Local Communities. This value results from the spending by workers of their wages at local and non local businesses. The money respent by local businesses is then "respent" several times before it is "leaked out" of the regional economy in the form of imports, or purchases from non-local businesses. This is the familiar "multiplier" effect.

The "Cumulative Value to Local Communities" reported in TSPIRS (Report 3) results from the spending of businesses and worker wages ("Value to Local Communities of Wages") at local and non local businesses.

The money respent is increased by the multiplier effect described above. This is the total impact of the Tongass National Forest timber program on the regional economy.

In FY 1988, \$117 million resulted from wages and respending in Southeast Alaska, and the total effect was \$485 million from total spending and respending. This represents over twenty percent of the total wages and cumulative value in the region.

7. *"Do the cost s to wildlife reflect the loss of deer winter habitat due to timber harvest?"*

Answer: Yes, the Economic Report (Report 2) reflects timber harvesting's effect on the deer habitat capability of areas harvested to provide winter habitat. If timber harvesting in a specific area has an adverse effect on deer habitat, the resulting loss of deer numbers will be shown in the deer capability/habitat models used by biologists to prepare the report. The dollar value of this loss in deer habitat capability will be displayed in the Negative Effects section of Report 2.

8. *"How could timber harvest improve or benefit wildlife, fisheries and recreation on the Tongass?"*

Answer: More than 400 species of wildlife and fish are native to the National Forest's of Alaska. Forest Service habitat management objectives for these species, in part, are accomplished through the timber management program. Silvicultural treatments are designed to achieve selected wildlife and fish habitat management objectives prescribed in the Forest Plans. Roads constructed in association with timber harvest also provide access to habitats, helping to satisfy public demand for wildlife and fish.

Timber harvesting affects various species in various ways. Species that prefer newly created openings in the forest or young growth stands, such as moose or dark-eyed juncos, have more habitat immediately after timber harvest. Other species such as pine marten and chestnut-backed chickadee, require old growth forest habitat conditions for at least part of the time and are displaced by timber harvesting. The calculated net effect on habitat, considering the positive effects on some species and negative effects on other species, will determine whether timber harvest will have a positive or a negative economic value.

The potential impacts of timber harvesting on fisheries resources will vary with the intensity of activity that occurs in the riparian areas. Weather, slope, soil type and the life cycle of the fish are other considerations. Habitat protection guidelines have been incorporated into timber harvesting practices to ensure that proper stream temperatures, dissolved oxygen levels, adequate cover, minimal sedimentation and the free passage of fish are maintained. Roads associated with timber harvest can reduce costs associated with fish habitat improvement in previously inaccessible areas. Such access can provide opportunities to improve fish habitat that might have otherwise been too expensive to develop. Some examples of improvements are removal of natural barriers to fish passage and the construction of fish ladders to provide access to new habitats and increase fish production in timber harvest areas. Additionally, introduction of large woody debris to increase instream fish habitat productivity can often be accomplished in conjunction with a timber harvest operation.